Economic theories have undergone a profound change since the beginning of the century. This is because Economics is concerned with human behaviour in prevailing social and economic conditions and these conditions have changed to an amazing extent. Industrial, and in some countries, agricultural production has been mechanised. The use of electric energy has increased output and helped the dispersal of industries over wider areas. Means of communication and transport have been revolutionised. The joint stock company system has spread and taken a variety of shapes - some of them with a global coverage. Competition for internal and international markets has become hectic. Currency problems are no longer concerned with monometallism or bimetallism but with complicated systems of bank credits. The terms capital and entrepreneur, which were once simple and nearly synonymous are now sharply differentiated. Organized labour has become an important factor in industry. The balance of payments position is having imprecedented reactions on the domestic economy. And State policies are dominating all branches of economic activity. These vast changes have necessarily influenced economic thought. There is a new approach to the problems of Wealth and poverty.

A few years ago it was usual to say that with Independence India had changed from a Police State into a welfare State. This is true only in a limited sense. For every State exists and professes to advance the welfare of its people. To the British Government no doubt security was a first consideration. But is it not so even today ? Our expenditure on defence is 5 times what it was in peace time under British rule. We are maintaining much larger Police forces, including armed units, than the British rulers of India. The punishment of the wicked and the protection of the good was the kingly ideal in ancient India. Security is inherent in the concept of a State.

The British also worked for the welfare of the people according to their lights. The raiyat was a special object

f solicitude and the whole of the administration was geared o secure a contented pageantry. It is true that in this ffort they made mistakes but they did not hesitate to correct hem to the extent they knew how. The Zemindaris were their reation but so also were the subsequent laws to restrain the emindars from oppressing their tenants. In rayatwari reas the British administrators played the part of a gracious andlord - not without some success. That is why the Government f the present day are trying to universalise the ryotwari ystem. They constructed roads, railways and irrigation orks to combat, if not to prevent, famines. And these works re serving that purpose fairly well. Without further llustration, it may be said that it is not the pursuit of elfare as such that distinguishes the present political rder from the past, but the extension of its scope and he means adopted for its achievement.

Socialism is a term for which there is no precise efinition. But it involves two broad concepts. Firstly, hat the State should assume direct responsibility over large ectors of social and economic life and secondly that it hould strive for social justice by reducing inequalities of ealth and opportunities for earning it.

At the beginning of the century the prevailing view was hat the State activity should be at a minimum and that it hould not invade the private sector except for removing atent evils. Social and economic progress, it was believed ould be best achieved by competitive private effort dequately rewarded and as rewards vary, inequalities of ealth are to a great extent unavoidable in an expanding conomy.

From these laissez-faire theories we have travelled long way to the socialistic doctrines which underlie State olicy at the present time. Some of the landmarks on this ourney are worth noting.

In respect of land reforms we have set our socialist

targets very high. It is a somewhat confused programme but its high lights are these :-

1) All intermediaries between the State and the tiller of the soil must be eliminated. The intermediaries include not only Jagirdars and Zemindars, but also owners of ryotwari land who lease it to tenants and receive rent from them.

2) The cultivating tenant must eventually be the owner of the land but until the landlord's rights are acquired by him, he should be granted security of tenure and required to pay moderate rent, as fixed by law.

3) The size of holdings must be limited ~~on the~~ egalitarian ~~principle~~.

4) Joint cultivation and ownership must be encouraged on a voluntary basis at first and later if need be by legal compulsion.

5) Land which is not efficiently cultivated may be taken over by Government(or local Panchayat) who would arrange for its proper utilisation.

6) The ultimate goal is the elimination of all private rights in land. The village community will be the owner of all lands in a village and arrange for their economic cultivation.

The Zemindars and Jagirdars have now been liquidated. They were to be paid compensation for their estates according to a graduated scale which accorded less favourable treatment to the larger landowners than to the smaller landowners. This method of awarding compensation, not according to the value of the property acquired, but according to the means of its owner was in consonance with socialistic equity but not with constitutional law. The constitution was therefore amended and the application of socialistic doctrine was validated.

Even in pre-Independence days security of tenure and limitation of rents had been enjoyed by Zemandari tenants under the law. But in the ryotwari areas there was no such law. Some substantial landowners ryotwari holdings are only rentiers and absentees and do not personally cultivate their lands. These

are the intermediaries who have now to be eliminated and against whose greed the tenant has to be protected. The requisite legislation has been enacted in most State - half heartedly in some - but it is nowhere effectively implemented. The reason partly is that this landholding class, who were ready enough to denounce Zemindars and Jagirdars as social parasites, are unwilling to part with their own rights, now that it has come to their turn to do so. As a class they are influential not only in their own villages but also in the State Legislatures and individually some of them hold leading positions in State Governments.

In a review of the First 5 Year Plan recently issued by the Planning Commission, it has been observed -

"Apart from delays in undertaking legislation needed for the protection of tenants and variations in the rights offered to them in different States, frequent changes in detail in the legislation which was enacted and the complex rules which followed the legislation tended to some extent to defeat the objects of land reform".

"The experience of the first five year plan emphasises the importance of efficient administration of land reform legislation and of informed and well-organised public opinion in every local community."

"The provisions relating to fixation of compensation payable by tenants for acquisition of ownership vary from State to State".

"Judged by the amount of land purchased by tenants and the numbers of tenants who have been able to acquire ownership rights, the steps described above cannot be said to have produced significant results."

While this is the position as regards land reforms of a relatively non controversial character, such as fixed tenure and fair rents, there is a raging campaign going on for fixing and implementing ceilings for individual holdings. This is no doubt the logical corollory of the doctrine of social justice. But it might also prove the last straw

to break the back of national economy. For small and medium holdings without greatly improved techniques simply mean cultivation at subsistence level or a little higher. In other words, there would be less of marketable surplus of foodgrains for landless persons who are more than 40% in the villages and for the whole of the urban populations. Further, with the disappearance of large holdings, the landless labourers' opportunities for employment, none too ample as matters stand, will further dimnish.

These apprehensions are unconsciously at the back of the minds of the Planners. For while one part of their programme envisages the diversion of land into smaller holdings for purposes of ownership, the other part is in the reverse direction. It calls for an aggregation of the smaller units of ownership into farms of a larger size for the purpose of cultivation.

"The basic condition for increase in agricultural production", the Commission have said, "is increase in the unit of management of land. This can be achieved by cooperative management at the village level". But cooperative farming as a normal method of cultivation over the country is a far cry.

And as for community ownership and management of lands at the village level, it is just a phantasy of idyllic perfection.

Large industries have not yet developed to an extent which admits of surplus labour in the villages being siphoned off into them. Nor have village and cottage industries made much headway.

Until some progress is made on the production and employment fronts, the pursuit of so called reforms concerning ownership of land would only result in dislocating rural economy and aggravating present troubles.

To quote again from the Planning Commission's Review -

"In States in which there has been legislation for ceilings,

practical implementation has not proceeded beyond preliminary steps. It is clear that a far-reaching measure of land reform such as ceilings on holdings calls for considerable preparation, a clear view as to the agrarian structure and relations between different sections of the rural population which it is intended to bring into existence over the next few years and, at the same time, a programme for expanding production and employment opportunities within the rural economy. Sufficient time has not passed to permit of a judgement on the legislation already enacted in some States, but it would be desirable to study afresh the nature of the administrative and other problems which arise in carrying into effect a policy for ceilings on agricultural holdings and for resettlement on surplus lands."

I have spoken at this length on land reforms as they represent the farthest projection of socialistic trends at the present time. The shift from neutrality to active State intervention is equally noteworthy in the field of industry. The British statesmen firmly adhered to the orthodox laissez-faire doctrine as good for their own country and for India, until the first world war. Lord Morley was one of those who had been schooled in this doctrine and never deviated from it. As Secretary of State for India, he disapproved and stopped the practice of selling jail manufactured goods to the public. It offended his economic conscience that the Government should enter the field of industry and compete with private enterprise, even if this was incidental to Prison administration. While State participation in industry was taboo, private effort too received little encouragement.

J.N.Tata's scheme of establishing an Iron and Steel Works at Jamshedpur was cold shouldered. When a spokesman of the Government of India was told that rails would be manufactured at these works, he said that he would take a bet that he would eat the rails if they were ever produced in India.

The Governments of former Indian States were not bound by the policies and doctrinal predilecti[illegible] of the Government of India. Some of them, within their limited resources did what they could to promote industrial entreprise. The Mysore Iron Works at Bhadravati is a noteworthy example of a State owned and State managed industrial concern set up during the First War. Needless to say that it was discountenanced by the Government of India but the State Government was determined and had its way.

The war brought home to the authorities the fact that India could not contribute war material commensurate with its resources unless it was industrially developed. An Industries Commission was set up to investigate the matter and as the result of its recommendations the promotion of industry became one accepted policy of the Indian Government.

Sir Alfred Chatterton, one of the members of the Industries Commission helped the Governments of Madras and Mysore to start several industrial undertakings on a pilot scale in the first instance. Some of these are working very well today.

Under the Montagu-Chelmsford reforms a system of diarchy was set up in the Government of the Provinces. Industrial development was a transferred subject in the portfolio of an Indian Member of Council. But such was the strength of old inhibitions that direct participation in the industrial sphere could not be thought of. The granting of financial and technical aid to private industrial enterprise, however, became a settled policy

The Government of India on their part assumed an attitude of helpfulness rather than of neutrality towards Indian industry. In a few cases protection was given by way of bounties or import duties. The bounty system

was however soon given up but the protection duties helped to stabilise and expand a number of industries such as iron and steel, sugar, cement, matches, paper etc.

World War II gave further impetus to industrial development, partly because of direct assistance by Government and partly because of inflationary conditions and restricted supplies. The development was however haphazard and in order to prevent undue or misdirected investment (and at the same time to ensure the success of the public loans they were themselves floating), the Government were compelled to regulate capital issues.

The Sindri Fertiliser Factory is perhaps the one outstanding case of a State managed major industrial undertaking sponsored by the Government of India in pre-Independence days. Till then Government participation in industry had been confined to the working of ordnance f factories and railway workshops. The Sindri factory owned its inception to a realisation of the growing insufficiency of the country's food supplies, which was grimly underlined by the Bengal Famine of 1943. The factory was completed and commenced operation only a few years ago but it belongs to the pre-Independence era. The Hindustan Aircraft Factory also belongs to that era.

After Independence, one of the first tasks to which the National Government addressed itself was to determine the directions in which and the means by which industrial development was to be promoted. The Industrial Policy Resolution of 1948, of which the late Shyam Prasad Mukherji was the principal author, laid down the ground work of the new policy. This Resolution listed (a) industries the development of which must be reserved to Government, (b) industries left to private enterprise and (c) a concurrent field both to Government and private effort. Regulation and control of certain industries of special importance was also envisaged.

The following were the important features of the legislation passed in 1951 to implement the industrial policy of Government.

Existing undertakings in the scheduled industries should be registered. New units require a license from Government. Undertakings which are inefficiently run or pursue policies which are prejudicial to public and consumers' interest may, after warning, be taken over by Government. Capital issues require the sanction of Government.

The current policy, therefore, has all the essential features of socialism.

The first attempt after Independence to set up a State managed factory was sponsored, curiously enough, by the Health Ministry of the day and proved a failure. This was the Pre-fab Housing Factory in Delhi. Having sustained a loss of over Rs 60 lakhs and baffled every effort to retrieve that loss, the factory is now going to manufacture prefabricated railway sleepers - presumably out of Jumna sands.

Two other State enterprises also sponsored by the Health Ministry viz. the Penicillin factory known as Hindustan Antibiotics, and the D.D.T. factory now named Hindustan Insecticides have been successfully established. Also other Central Government Factories such as the Indian Telephone Industries, Hindustan Machine Tools, the Bharat Electronics etc. The three schemes to set up large iron and steel plants which are in different stages of progress mark the acme of State participation in industry.

Nationalisation, according to some, is the most distructive feature of socialism. But nationalisation has only a limited significance in our country at the present time. If control and regulation serve the

purpose why should Government acquire concerns which are fairly well run. It is much better to conserve public resources for setting up new units of industry which private enterprise is unwilling or unable to organise. Nevertheless, Government found it necessary to nationalise the Ship building yard at Vizagpatam and civil aviation concerns. The Mysore Government have nationalised the Gold mines at Kolar. And nearly all the State Governments have taken over some part of road transport system in their jurisdictions, with results that cannot be said to be uniformly satisfactory. Nationalisation is not a panacea for industrial ills. It has to be applied with discrimination and, by and large, this appears to have been done, so far.

With regard to the establishment of new State managed concerns also, the National Government must be said to have acted on the whole with due restraint. Doubts have been expressed about the wisdom of undertaking 3 steel plants simultaneously. It is said that at least one of these works could have been postponed, having regard to foreign exchange difficulties. Perhaps so. But the matter has gone too far now to admit of useful discussion.

The control and regulation of industry by Government must be said to have been so far judicious and helpful. But for such control and regulation, the distribution of such essential articles in short supply such as steel, coal and cement would have been chaotic and their prices would have been risen to unjustifiable heights.

In the commercial sphere the nationalisation of the State Bank has perhaps little practical significance. But the nationalisation of life insurance is already seen to be beneficial to insurers apart from serving as a means of channelling savings into right investment channels.

Our system of taxation has become blatantly socialistic. As the Union Finance Minister proudly pointed out, there are few countries in the world where a tax is levied on wealth or capital and none in which personal expenditure is taxed. The expenditure tax is so novel that the authors of the Constitution had never conceived of it and made no mention of it in any of the long legislative lists. I believe this is the first occasion on which the Central Legislature is exercising the residuary powers of taxation vested in it.

The new taxes are a master piece of fiscal strategy. They form a cordon round all possible concentrations of wealth. There is only one short gap which will soon be filled by imposing a tax on gifts.

As to the merits of this system of taxation, all one can say is that like everything else, it has to be judged by its fruits. What will be the yield of these taxes ? Will they prove to be disincentives to saving ? Will they be administered honestly and with due consideration, or will they be an added means of harassing people ? Will the country be overrun by an army of publicans and tax gatherers ? The future alone can tell.

A socialistic State develops a sense of omni-competence. It feels it can stimulate among its citizens a love of good literature, music, drama, dance and every thing that constitutes culture. A good deal of money is being directed to these purposes. Then there are activities of propaganda and publicity on a scale which is scarcely warranted by any good purpose that they can serve. But having exceeded the limits I had set for myself on the length of this paper, I cannot dwell on these matters nor on the subject of labour legislation which is a typical product of socialistic psychology.

To sum up and conclude, I shall say this : Each

country, and perhaps each individual, has its, or his brand of socialism. In India it is not a sudden development after Independence. It had its beginnings in an earlier era. It was affirmed in the Constitution in moderate but unambiguous language, it has been implemented by legislation in several sectors of national activity, with varying degrees of success.

The State has taken enormous power to organise and regulate industry but on the whole it has exercised these powers judiciously and with restraint and its activities have resulted in some tangible good.

In land policy practical considerations have been subordinated to ideologies of a somewhat extreme type. The policy lacks coherency and its implementation has been admittedly unsatisfactory. The major problems of agricultural production and rural employment which ought to be tackled first have been pushed into the back ground.

Socialistic State is apt to and fritter away its own energies and peoples' money on a variety of meretricic activities. Our Governments have not shown themselves free from this weakness.

The new methods of taxation may or may nor produce more revenue than conventional methods. But they have forged a fiscal weapon of atomic potency. In the hands of an inept or unprincipled or mob ridden Government the use of such a weapon may have the most destructive effect on national economy.

A decade of experience with the working of socialisti policies have shown us its good and bad points. Nobody will now dispute that the corporate resources of the State should be progressively mobilised for the uplift of the nation as a whole and for the special benefit of the weaker members or sections of the community This is constructive socialism.

Egalitarianism, an expression which is so freely used in the utterances of leading public men, is a negative concept - a barren, if not destructive, concept. It cannot be equated with social justice.

Even in its constructive aspect, socialism can lead to progress only if it is administered in doses, which the body politic can tolerate and absorb. Like all reforms it is effective only if at each stage the ground is prepared for the next step. There are no convenient cross-cuts.

In purgatory there were three gates with mottoes inscribed on them. On the first gate was written "Be bold". On the second gate - again "be bold". The inscription on the third gate was "Be not too bold".